Eleventh Annual Report

of

Hasaga Gold Mines, Limited

(No Personal Liability)

For the Year Ended December 31, 1950

OFFICERS AND DIRECTORS

President and Managing Director:
J. E. HAMMELL

Director of Mining:
A. G. HATTIE

Mine Manager:
W. E. BARTON

Vice-President:
C. S. HAMILTON

Secretary-Treasurer
G. M. HUYCKE, K.C.

Assistant Secretary-Treasurer:
J. BLAND

Mine Office and Head Office:
RED LAKE P.O., ONTARIO

Executive Office:
Suite 930, Canadian Bank of Commerce Bldg.
Toronto, Ont.

Transfer Agents:
CROWN TRUST COMPANY, TORONTO
BANKERS TRUST COMPANY, NEW YORK CITY, U.S.A.

Auditors:
DELOITTE, PLENDER, HASKINS & SELLS

HASAGA GOLD MINES, LIMITED

(No Personal Liability)

To the Shareholders,
Hasaga Gold Mines, Limited.

We present herewith for the year ending December 31, 1950: Balance Sheet, Statement of Profit and Loss, Auditor's Report, Mine Manager's Report.

During the year $486,801.54 was received on account of the indebtedness of allied companies. The amounts so received, together with $75,518.75 from operating profit, were applied to wiping out bank loan and reduction of demand notes payable to $114,329.10. The balances owing by allied companies of $555,213.15 amply secured leaves a substantial margin of $440,884.15 over the balance owing on notes payable. Your company retains 1,000,000 shares (one-third of the issued capital) of Starratt Olsen Gold Mines Limited and owns outright the New Red Lake Hotel Company. Both these companies had a very successful year as evidenced by reductions in their respective indebtedness.

Despite the almost insurmountable difficulties gold mines are facing today, your company milled 163,160 tons, a daily average of 447. By exercising every possible economy operating costs were maintained at a minimum ($4.10 per ton). This low cost, with the assistance of cost aid, permitted an operating profit of $83,279.28, a creditable performance operating in a straight-jacket.

One of the immediate effects of the steady increase in costs and the fixed selling price for gold is that your mine, like many others, has had to drop from ore reserves material previously included, because it has become uneconomic at present cost levels. It is obvious a fixed price for our product with ever increasing costs, has the effect of eliminating the possibility of treating low grade ore. While such conditions continue the low grade ore must be left in the mine. Unless prompt and effectual action is taken to release gold mines from their bonds an increasing quantity of what would otherwise be new wealth, must remain in the ground.

It requires no flight of imagination to say that had present conditions existed in 1938 there would be no such mine as Hasaga, and the community of Red Lake would have died with the closing of the Howey Mine. The large body of employment provided at the mine, and elsewhere in Canada, would have been non-existent.

Cost aid received under the terms of the Emergency Gold Mining Assistance Act was of some assistance, but falls far short of the amount fairly due by reason of a fixed price for our product. Such emergency legislation (and it was regarded by all as such) cannot from its nature be fair to all types of mines and all types of properties under development.

With a controlled economy individual liberty and corporate activities find themselves hampered by unnecessary restraint. Despite ample proof to the contrary resulting from centuries of experience, theorists of many varieties are still making belaboured and unsuccessful attempts to show us that the law of supply and demand can be abrogated and replaced by artificial means.

Inflation is today a fact, with every evidence of it becoming more acute. A higher price for gold, therefore, is not only desirable, it is essential and inevitable some day in the not too distant future. If gold mines were relieved from the many controls and gold permitted to circulate freely and establish its own value among the people, the price of gold would undoubtedly rise substantially. Despite the ideas of diehard economists wedded to a managed currency and detesting the gold standards and their safeguards, it might be pointed out that no appreciable change in the price index was attributable to the gold price increase from $20.67 to $35 in 1934.

The people of Canada are paying dearly for international credit by selling our gold at a grossly undervalued figure of $35 an ounce. There are only two alternatives — a wholly free market or a realistic price to the mines.

The Directors express their appreciation of the loyal service given by the Company's Management and staff during the past difficult year.

On behalf of the Board,

J. E. HAMMELL,
President.

HASAGA GOLD

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Balance Sheet at

ASSETS

Current Assets:			
Cash		$ 33,142.66	
Bullion		48,484.22	
Accounts and rents receivable		16,156.62	
Accrued interest		294.54	
Marketable investments — at cost (Approximate market value $483,502.00)		72,709.60	
Estimated amount receivable under The Emergency Gold Mining Assistance Act		63,960.00	
Recoverable expenditures		973.75	
			235,721.39
Materials and Supplies — at cost, certified as to quantities and valuation by responsible officials of the company			97,475.25
Securities deposited with the Hydro-Electric Power Commission of Ontario re power contract — at cost			7,332.50
Owing by Allied Company under agreement dated October 27, 1947			490,811.97
Shares in and Advances to Auxiliary Enterprises			114,401.18
Fixed Assets:			
Mining claims and properties		112,879.75	
Buildings	$328,830.97		
Less: Reserve for depreciation	245,577.34		
		83,253.63	
Machinery and equipment	520,730.38		
Less: Reserve for depreciation	424,361.63		
		96,368.75	
Development expenditures:			
Balance at December 31, 1949	111,498.77		
Less: Proportion written off during the year ended December 31, 1950	36,202.20		
		75,296.57	
			367,798.70
Other Assets:			
Prepaid insurance and other deferred expenses		4,327.75	
Advances to employees for purchase of dwellings		5,274.30	
			9,602.05
			$ 1,323,143.04

STATEMENT I

MINES, LIMITED

al Liability)

December 31, 1950

LIABILITIES

Current Liabilities:			
Demand note payable and accrued interest		$ 114,329.10	
Accounts payable and accrued charges		50,068.26	
Accrued wages		16,124.97	
Reserve for taxes		230.00	
			$ 180,752.33
Capital Stock:			
Authorized:			
5,000,000 shares of $1.00 each	$ 5,000,000.00		
Issued:			
3,000,000 shares		3,000,000.00	
Less: Discount on shares		2,398,921.05	
			601,078.95
Surplus:			
Balance at December 31, 1949		571,215.69	
Deduct:			
Net loss for the year ended December 31, 1950—Statement II		29,903.93	
			541,311.76
			$ 1,323,143.04

The Shareholders,
Hasaga Gold Mines Limited,
(No Personal Liability).

We have examined the books and accounts of Hasaga Gold Mines Limited (No Personal Liability) for the year ended December 31, 1950, and report that we have obtained all the information and explanations we have required. In our opinion, the attached balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs at December 31, 1950, according to the best of our information and the explanations given to us and as shown by the books of the company.

DELOITTE, PLENDER, HASKINS & SELLS,
Auditors.

24 King Street West, Toronto,
May 8, 1951.

HASAGA GOLD MINES, LIMITED

(No Personal Liability)

STATEMENT OF PROFIT AND LOSS

For the Year Ended December 31, 1950

Income:			
Bullion production	$598,610.09		
Less: Shipping and marketing expense	5,195.97		
		$593,414.12	
Interest and dividends		41,274.27	
Miscellaneous (including net gain on disposal of fixed assets)		8,297.51	
			$642,985.90
Operating Expenses:			
Development	96,097.62		
Mining	335,378.91		
Ore transportation	24,304.15		
Milling	155,189.54		
		610,970.22	
General mine expenses		52,602.14	
Executive office expenses		11,006.05	
Interest expense		20,205.15	
		694,783.56	
Less: Estimated income under the provisions of The Emergency Gold Mining Assistance Act		135,076.94	
			559,706.62
Profit before charging depreciation and amortization of development expenses			83,279.28
Deduct:			
Depreciation, buildings and equipment		76,981.01	
Proportion of development expenditures written off		36,202.20	
			113,183.21
Loss for the year			$ 29,903.93

HASAGA GOLD MINES, LIMITED

(No Personal Liability)

The President and Directors,
Hasaga Gold Mines, Limited,
(No Personal Liability)
Toronto, Ontario.

Red Lake, Ontario,
28th March, 1951.

Gentlemen:

Herewith is submitted for your consideration, a review of operations at your property, for the year 1950.

DEVELOPMENT

	Drifting		Cross-Cutting		Raising	
	Feet Advance	Cu. Ft. Slash	Feet Advance	Cu. Ft. Slash	Feet Advance	Cu. Ft. Slash
1450 Level	18.0	300	-------	-------	-------	-------
1600 Level	-------	-------	59.5	566	97.0	293
1800 Level	-------	-------	-------	-------	206.0	-------
2000 Level	-------	-------	-------	-------	188.0	228
2200 Level	566.5	9,396	265.5	1,692	490.0	844
2350 Level	280.5	1,572	647.5	7,856	-------	-------
Totals	865.0	11,268	972.5	10,114	981.0	1,365

All above work was done for development and exploration purposes prior to mining.

DIAMOND DRILLING

The diamond drilling completed during 1950 was all underground exploration, and totalled 13,265.5 feet. The blast hole drilling, as listed, includes work done by both diamond drill and extension steel — using carbide bits.

Level	Blast Hole Drilling for mining	Exploration and Development
1050 Level	2,719.0 feet	---------
1250 Level	398.0 feet	---------
1450 Level	---------	336.0 feet
1600 Level	---------	1,469.0 feet
1800 Level	1,528 feet	893.0 feet
2000 Level	9,365 feet	2,078.5 feet
2200 Level	6,410 feet	7,395.0 feet
2350 Level	---------	1,094.0 feet
Totals	20,420 feet	13,265.5 feet

This work consisted mainly of exploration drilling, cross section drilling of known ore bodies, stope wall examination and blast hole drilling of stopes and pillars.

MINING

Ore hoisted from Stopes	159,086 tons
Ore hoisted from Development	4,539 tons
Total Ore hoisted	163,625 tons
Waste hoisted from stopes and development	9,369 tons
Ore broken in stopes	69,677 tons

Summary of Ore Hoisted from Stopes

Level	Tons	Value per ton	Total Value
850 Level	1,344	$ 2.62	$ 3,520
1250 Level	14,317	3.51	50,186
1450 Level	45,465	3.19	145,184
1800 Level	21,075	4.02	84,728
2000 Level	48,602	3.48	168,991
2250 Level	29,433	3.82	112,479
TOTALS	160,236	$ 3.53	$565,088
Less Ore Pass Reserve	1,150	3.60	4,140
Total tons hoisted (Stopes)	159,086 tons	$ 3.58	$569,228

ORE RESERVES

The results of development work completed during the year and of intensive diamond drilling exploration of possible stope ore, disclose ore reserves as at January 1st, 1951, estimated at 156,095 tons, averaging $4.55 per ton cut value, and valued at $710,121.90. (Gold at $35.00 per ounce.)

Following is a summary of ore reserves tonnages:

	Tons	Average Grade per ton
Broken Ore in Stopes	18,850	$3.88
Ore in Place in Stopes	104,580	4.41
Ore in Place in Pillars	32,665	5.37

MILLING AND PRODUCTION DATA

		1950	1939-1950
Waste sorted—tons		20,125	243,614
Ore crushed—tons		143,035	1,285,291
Ore milled—tons		163,160	1,528,905
Average Daily Tonnage ground		392	329
Average Daily Tonnage milled		447	385
Heads calculated—per ton	milled	($3.48)	4.38
	ground	($3.97)	
Tailings—per ton	milled	(.131)	.158
	ground	(.149)	
Recovery—per ton		96.1%	96.5%
Value precipitated		$551,294.37	$6,966,614.08

SUMMARY OF COSTS

Total Tons Milled	163,160
Total Ounces Gold Recovered	15,612.312

Costs:	Total	Per Ton	Per Oz.
Development, including Diamond Drilling	$ 96,097.62	$ .589	$ 6.155
Mining	335,378.91	2.055	21.482
Milling	155,189.54	.951	9.940
Ore Transportation	24,304.15	.149	1.557
Shipping and Marketing	5,195.97	.032	.332
General Mine Expense	52,602.14	.322	3.369
	$668,768.33	$ 4.098	$ 42.835
Depreciation and Development Written-off	113,183.21	.693	7.250
	$781,951.54	$ 4.791	$ 50.085

During the year the mine staff consisted of eleven employees. Other employees averaged:

Underground	70
Mill	20
Surface	28
	118

All grade and production figures contained in this report are based on gold @ $35.00 per ounce.

I wish to thank the staff and those employees who have rendered faithful service during 1950. To the President and Directors my sincere thanks for their assistance.

Respectfully submitted,

Yours very truly,

W. E. BARTON,
Manager.